

Message Text

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64

ACTION EB-07

INFO OCT-01 EUR-12 EA-07 NEA-10 ISO-00 SP-02 AID-05 NSC-05

CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 IO-11

CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 USIA-06 XMB-02

OPIC-03 LAB-04 SIL-01 L-03 H-02 PA-01 PRS-01 /115 W

----- 064951

R 122030Z JAN 76

FM AMEMBASSY PARIS

TO SECSTATE WASHDC6756

INFO AMEMBASSY BERN

AMEMBASSY BRUSSELS

AMEMBASSY BONN

AMEMBASSY CANBERRA

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY HELSINKI

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY ROME

AMEMBASSY SEOUL

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

USLO PEKING

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E.O. 11652: N/A

TAGS: EFIN, ETRD, NK, FR

SUBJECT: DEBT RESCHEDULING FOR NORTH KOREA

REF: A. SEOUL 112, B. STATE 5077, IN 1975; C. PARIS 25920

D. PARIS 25921; E. PARIS 25031; F. STATE 228972

1. IN RESPONSE REF. B., EMBOFF CALLED ON NEBOT TO

ASCERTAIN STATE OF PLAY RELATIVE TO NORTH KOREAN DEBT.

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2. NEBOT BEGAN BY NOTING THAT SEPTEMBER 8 MEETING HAD ENDED ONLY WITH AGREEMENT AMONG PARTICIPANTS TO KEEP EACH OTHER INFORMED AND TO INSIST ON FULL PAYMENT OF DEBT UNTIL SUCH TIME AS KOREANS ACCEPTED PROPOSED RESCHEDULING TERMS. MEETING ALSO DEMONSTRATED TO FRENCH THAT NORTH KOREA WAS ASKING MORE GENEROUS TERMS OF THEM THAN OF OTHER CREDITORS. (REF. C) HENCE, SINCE THAT DATE, KOREANS HAVE MADE NO DEBT PAYMENTS TO FRANCE, AND GOF HAS TAKEN NO INITIATIVES. PRESS REPORT ON GOF RESPONSES (REF. D) CORRECT, HE NOTED. RECENTLY, HOWEVER, KOREANS ASKED GOF FOR ANOTHER BILATERAL MEETING. REPRESENTATIVES FROM PYONGYANG WILL ARRIVE IN PARIS LATE THIS MONTH OR EARLY FEBRUARY FOR THIS PURPOSE. ALTHOUGH MEETING IS BILATERAL, NEBOT NOTED THAT IF IT SHOWED KOREANS HAVE MODIFIED THEIR VIEWS TO MEET REPAYMENT TERMS OUTLINED REF.E, GOF WILL INFORM MEMBERS AND PROPOSE ANOTHER CLUB MEETING. IDEA WOULD BE THAT IN THIS CASE, EACH COUNTRY WOULD NEGOTIATE BILATERAL AGREEMENT, BUT ON A "MOST FAVORED NATION" BASIS WHICH WOULD ASSURE UNIFORMITY OF TERMS. HE STATED IT WAS HIS BELIEF THAT SWEDES, AND PROBABLY BELGIANS ALSO FAVORED THIS APPROACH. NEBOT SAID HE WOULD INFORM US OF RESULTS OF MEETING WITH KOREANS, AND REPEATED HIS VIEW (REF. C) THAT U.S. SHOULD SEND AN OBSERVER TO ANY FUTURE CLUB DISCUSSIONS, GIVEN OUR INTEREST.

3. EMBOFF REPEATED TO NEBOT USG CONCERNS AS OUTLINED REF. F, PARA. 3 AND 4. NEBOT ACKNOWLEDGED THEM, BUT NOTED OGF MUST BALANCE THESE CONSIDERATIONS AGAINST "NEED FOR FRANCE TO RECOVER ITS MONEY." KOREANS CANNOT BE ALLOWED TO GET AWAY SCOT FREE JUST BECAUSE THEY ARE NOT IN IMF, HE SAID. HE IGNORED EMBOFF'S POINT THAT CREDITORS HAD SUBSTANTIAL LEVERAGE WITH IMPORT-HUNGRY KOREANS. DIRECTION OF HIS THINKING WAS FURTHER INDICATED BY HIS REFLECTION THAT "MAYBE THERE COULD BE TWO STANDARDS FOR RESCHEDULING, ONE FOR IMF MEMBERS, ONE FOR OTHERS." WHEN EMBOFF REPLIED THAT THIS COULD MEAN REWARDING COUNTRIES LEAST WILLING TO ACCEPT FINANCIAL DISCIPLINE, NEBOT BACKED OFF BY NOTING THAT CONDITIONS PROPOSED (REF. E) WERE CONSIDERABLY LIMITED OFFICIAL USE

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MORE SEVERE THAN NORMAL RESCHEDULING TERMS. IN RESPONSE TO FURTHER OBJECTION THAT RESCHEDULING MIGHT MAKE IT EASIER FOR KOREANS TO MEET HARDER TERMS OF EASTERN SUPPLIERS, NEBOT DENIED KNOWLEDGE OF WHAT THESE MIGHT BE.

4. COMMENT: WHILE GOF FIRST INTEREST MIGHT BE JUST TO GAIN MINIMUM ACCEPTABLE TERMS FOR ITSELF - NO DOUBT

FRENCH WOULD BE PLEASED IF OTHER CREDITORS ALIGNED THEMSELVES WITH THEM AND HENCE CONSTITUTED NEW, IF MORE INFORMAL, EXTENSION OF PARIS CLUB, WHILE TECHNICALLY AVOIDING ANY CLUB AGREEMENT.

RUSH

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Disposition Approved on Date:
Disposition Authority: morefirh
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Disposition Date: 28 MAY 2004
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Margaret P. Grafeld
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